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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 09/30/08

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1) Premier preempts DPJ with cross-question over extra budget, refueling

YOMIURI (Top play) (Abridged)
September 30, 2008

Prime Minister Aso delivered his inaugural policy speech before the House of Representatives and the House of Councillors in their respective plenary sittings yesterday. In the speech, Aso called for the leading opposition Democratic Party of Japan (Minshuto) to clarify whether it is for or against his policy proposals, such as implementing a supplementary budget for fiscal 2008 and continuing the Maritime Self-Defense Force's refueling activities in the Indian Ocean. With a snap election in mind, Aso made clear his showdown with the DPJ. This drew backlashes from the DPJ and all other

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opposition parties, however,

In his Diet speech, Aso referred to the Diet's current divided situation, with the ruling coalition holding a majority of the seats in its lower chamber and the opposition camp controlling its upper chamber. In this regard, Aso hit the DPJ, claiming that the DPJ has made it a primary principle to create a chance for it to upset the political situation under such circumstances. He called for the DPJ to come up with its counterproposal and standpoint. As an urgent task, he insisted on the necessity of turning Japan's economy around. He said the DPJ, if it is against the fiscal 2008 supplementary budget, should answer why in a session of representative interpellations starting tomorrow in the Diet. In addition, Aso also called for the DPJ to come up with its idea of ways and means for its counterproposal. This is aimed to question the efficacy of the DPJ's policy proposal to raise funds through administrative reform.

"His speech made a fool of the people," DPJ Secretary General Hatoyama told reporters in the Diet yesterday. "We cannot remain silent since he was so rude like that," he added to criticize Aso. Concerning Aso's cross-question, Hatoyama noted that the supplementary budget is a matter that should be discussed in a question-and-answer session before the Budget Committee. DPJ President Ozawa and Hatoyama are expected to take the floor to interpellate Aso tomorrow, representing their party. Basically, however, Ozawa will not answer Aso's cross-question and is considering releasing his party's standpoint in its manifesto for the next House of Representatives election.

"He thinks nothing of the people and minority opposition parties," Social Democratic Party President Fukushima rebutted. People's New Party Secretary General Hisaoki Kamei also told reporters: "I've never heard of it. It sounded like a campaign speech before an election for the House of Representatives. I'd like him to come to his senses a little bit."

2) Aso noncommittal on passing refueling extension bill

ASAHI (Page 4) (Full)
September 30, 2008

The government yesterday presented to the Diet a bill amending the Refueling Assistance Special Measures Law to extend the Maritime

Self-Defense Force's refueling activities in the Indian Ocean for another year. Prime Minister Aso has recently addressed the United Nations General Assembly, where he made his diplomatic debut and expressed his resolve to fight terrorism. However, he has been only using careful wording so as not to be taken as committing himself to continuing the MSDF's refueling activities there. That is because the legislation cannot be expected to pass the Diet once he dissolves the House of Representatives.

"We've done this (refueling in the Indian Ocean) for Japan in its national interests. Japan, which is a member of the international community, cannot choose to pull the plug on the refueling activities." Aso so emphasized in his policy speech before the Diet yesterday. However, he did not go so far as to say he would get the bill through the Diet. "Does the Democratic Party of Japan (Minshuto) think that's all right?" With this, he asked a cross-question.

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In his Sept. 25 UNGA speech, Aso stated that Japan would continue its proactive participation in the war on terror together with the international community. However, he did not directly promise to continue refueling.

What lies behind such a cautious stance of Aso is apparently his reflection of the fact that each of his two successive predecessors, Prime Minister Abe and Prime Minister Fukuda, put his foot in his mouth by making international commitments to continue the refueling mission.

In September last year, Abe vowed to grapple with the issue of continuing Japan's refueling activities at the risk of his position. Shortly thereafter, however, Abe resigned due to a health problem. In November that year, Fukuda met with U.S. President Bush and declared that he would make his utmost to have the previous refueling extension bill clear the Diet at an early date. To do so, however, Fukuda and his ruling coalition had to extend the Diet session twice into the new year. The legislation somehow passed the Diet with an overriding second vote in the House of Representatives.

Japan's second pullout of the Indian Ocean is now becoming more likely. "Other countries from all over the world are reinforcing their troops in Afghanistan," a senior Foreign Ministry official said, adding: "If Japan stops even its refueling activities, our relationship with the next U.S. administration will start in a difficult situation."

3) Ozawa takes stance of silence on Aso's policy speech; Plans to play up own policy vision in Diet interpellations

TOKYO SHIMBUN (Page 2) (Excerpts)
September 30, 2008

By Yuji Nishikawa

In his policy speech at the Diet yesterday, Prime Minister Taro Aso tossed many questions at the major opposition Democratic Party of Japan. The opposition bloc has reacted sharply to the questions posed in the speech, saying that the prime minister acted as if he were an opposition leader. DPJ President Ichiro Ozawa is scheduled to take the floor as the first questioner in a Lower House plenary session on Oct. 1. Ozawa intends to play up his party's ability to run the government rather than rebutting the questions from the prime minister.

The DPJ held a Lower House members' meeting yesterday noon to hear news that the prime minister would deliver a policy speech that would throw questions at it, as if he were opposition leader. One lawmaker said cynically, "He is trying to lay the groundwork to become an opposition party."

After the plenary session, DPJ Secretary General Yukio Hatoyama told reporters: "The prime minister's policy speech was designed chiefly to criticize the DPJ. It offered no national vision. He simply

ignored the people."

Japanese Communist Party Chairman Kazuo Shii commented: "The approach of posing questions unilaterally goes against the rules of the Diet." Social Democratic Party head Mizuho Fukushima noted: "By looking only at the DPJ, the prime minister ignored the general

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public and other opposition parties." People's New Party Secretary General Hisaoki Kamei said: "It sounded like a campaign speech for the next Lower House election." They all criticized Aso's policy speech that seems to have in mind a coming showdown with the DPJ in the next Lower House election.

The prime minister raised many questions about Ozawa's foreign-policy stance and the fiscal resources that would be needed if his policies were implemented. Ozawa has chosen not to pay any attention to the questions, according to an aide. Instead, the DPJ is calling for thorough deliberations at the Budget Committee.

Ozawa's statements during interpellations are likely to center on his own political vision and the DPJ's policy manifesto for the next Lower House election. In other words, Ozawa will play up his own policy speech-like interpellations in contrast to the prime minister's question-dotted speech -- an unusual move for an opposition leader. "The main player has now completely shifted," Hatoyama commented.

Asked by a reporter for his impression of the prime minister's policy speech, the DPJ's top adviser, Kozo Watanabe, said: "I highly value the speech that questioned the DPJ, thinking that he sees our party taking the reins of government."

4) DPJ to show its manifesto in representative interpellations

MAINICHI (Page 2) (Full)
September 30, 2008

Prime Minister Taro Aso in his policy speech yesterday posed a series of questions to the main opposition Democratic Party of Japan (DPJ). As a result, DPJ President Ichiro Ozawa has decided to unveil his party's manifesto (set of campaign pledges), including measures to secure fiscal resources, during representative interpellations in the Diet on Oct. 1. He aims to play it up as if it were "an Ozawa administration's policy speech," using Aso's strategy against him. However, since Aso's questions include whether the DPJ wants to stop the Maritime Self-Defense Force's refueling mission in the Indian Ocean and other ones that are difficult for the largest opposition party to deal with, Ozawa will likely have a hard time to answering them.

DPJ Secretary General Yukio Hatoyama yesterday told reporters in the Diet building: "There is absolutely no reason for us to answer the prime minister's questions within time allocated us." He declared that Ozawa would deliver a policy speech during his questioning session. It has been the practice for each party's representative to question the prime minister about his policy speech in representative interpellations. Hatoyama made critical remarks, saying: "I think (the LDP) is getting ready to become the opposition party."

Ozawa plans to show in his questioning session the manifesto that would specify a policy of implementing -- such measures as removing highway tolls, supporting farmers, and creating a child allowance system -- in four years after the DPJ gains control of the government. Regarding the fiscal resources worth 22 trillion yen, Ozawa intends to secure it by banning the amakudari practice of senior bureaucrats retiring early to join government-affiliated organizations as highly paid executives and by cutting civil servants' salaries. Aso demanded answers from the DPJ on which --

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either the United States or the United Nations -- it gives priority and on whether it wants to stop the MSDF mission in the Indian

Ocean. Regarding the two above issues, the views in the party are split. Some DPJ members are concerned that if the DPJ does not answer to the questions, it will be criticized for lacking the capability of assuming the reins of government.

5) DPJ mentions funding resources to implement its policy proposals: 6.5 trillion yen to be drawn from hidden slush funds; 1.1 trillion yen through downsizing

ASAHI (Page 1) (Abridged slightly)
September 30, 2008

The implementation process (road map) of policies included in the DPJ's manifesto for the next general election has been revealed. The package mentions that a total of 20.5 trillion yen in funding resources will be secured from slush funds (6.5 trillion yen), such as reserve funds in the special accounts and through a downsizing of national government employees 20 PERCENT (1.1 trillion yen). This would be accomplished over four years after the DPJ taking the reins of government, with funds appropriated for the implementation of key policy items.

This is the first time for the main opposition party to come up with a summation of the fiscal resources needed and a target year for achieving its policies, and incorporate such in its manifesto. By indicating the fiscal resources it needs, the DPJ intends to stave off criticism that its policy proposals are not backed by funding resources. It can now pursue instead the ruling camp's funding resources issue involving the fixed-amount tax cut and a hike in state contribution to the basic pension in fiscal 2009. It wants to question the ruling parties' capability to run the government. The funding resource issue will likely become a major issue in the general election campaign.

The implementation process has four principles: (1) implement key policies pledged to the public with a political will; (2) create new fiscal resources, correcting the current cycle of wasteful spending of taxpayers' money being perpetuated; (3) implement policies in the order of priority; and (4) use the economic effects achieved by the realization of policies for fiscal reconstruction.

The road map, an annual program for the implementation process characterizes Lower House members' four-year term as the period for the implementation of the manifesto. This period is divided into three stages -- the first stage (fiscal 2009), the second stage (fiscal 2010-2011) and the third stage (fiscal 2012). Policies that can be implemented without legal preparations will be carried out in the initial year. Policies that will take time for the planning of systems or legislation work will be implemented in stages. For this reason, a budget needed in each stage will increase gradually -- 8.4 trillion yen for the first stage, 14 trillion yen for the second stage and 20.5 trillion yen for the third stage.

Resources to fund policy implementation will be squeezed out, mainly through an overall budgetary revision. In the first stage, a large portion of the 8.4 trillion yen will be covered with the use of slush funds. The implementation process notes that reserve funds (approximately 204 trillion yen) in the special account drawn from tax revenues and insurance premiums and yield on the investment of those reserve funds will be used to improve people's lives. To be

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precise, yield on the investment of special-account fiscal investment and loans the investment of special-account foreign exchange funds, and portions of funds with no intended use for the time being will be allocated for policy expenses.

Reform of subsidies will be implemented in the second stage. Key policy items to be implemented in this stage are: (1) making the subsidy system more efficient, by abolishing, in principle, individual subsidies to local governments and granting subsidies in a lump sum without fixed usage, while implementing decentralization reform; (2) and drastically revising independent administrative agencies, special accounts and public-interest corporations and significantly cutting subsidies to them. In the third stage, the total amount of national government employees' personnel expenses

will be cut by 20 PERCENT in the end the idea being financial resources can be found in cuts in personnel expenditures as the reform of governing institutions, such as the government's outpost agencies, is expected to progress.

Major funding resources proposed in DPJ manifesto

(After fiscal 2009)

- ? Use of slush funds (6.5 trillion yen)
- ? Government asset disposal plan (0.7 trillion yen)
- ? Strict budget screening, drastic review of special tax measures and review of the income tax deduction with the establishment of a child allowance system (4.8 trillion yen)

(After fiscal 2010)

- ? Abolish individual subsidies to local governments and instead grant subsidies in a lump sum without specifying usage, drastically reform independent administrative agencies, special accounts and public-interest corporations and significantly cut subsidies to them (4.3 trillion yen)
- ? Place a ban on the descent from heaven practice, reform the open public bidding system (1.8 trillion yen)
- ? 50 PERCENT cut in a budget for projects under direct control of the government (1.3 trillion yen)

(After fiscal 2011)

- ? 20 PERCENT cut in the total amount of national government employee personnel expenditures (1.1 trillion yen)

6) DPJ to accept passage of supplementary budget bill, making it a condition that budget committee meetings be held

ASAHI (Page 1) (Full)
September 30, 2008

The Democratic Party of Japan (DPJ or Minshuto) on September 20 decided to accept passage before the end of next week of a fiscal 2008 supplementary budget bill submitted by the government. It intends to call for deliberations on the bill for two days in the Lower and Upper Houses respectively starting on October 6 after interpellations by party representatives are over and dissolution of the Lower House right after its passage on October 9, instead of reaching a decision on the bill. However, many ruling party members are cautious about holding a budget committee meeting, where they will be exposed to the opposition parties' offensive. The prevailing view in the ruling camp is in favor of dissolution after the interpellations ended on the 3rd.

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Regarding the budget bill, since a priority is given to a decision reached by the Lower House under the Constitution, even if it is voted down on the 9th in the opposition party-controlled Upper House, the bill will be enacted the same day after going through the consultative councils of both chambers of the Diet. Some members of the DPJ leadership take the view that they do not necessarily have to oppose the supplementary budget bill, as Secretary General Yukio Hatoyama noted. Chances are, therefore, that the DPJ might support the supplementary budget bill. One senior DPJ member said on the 29th, "There is a strong possibility of the bill securing Diet approval."

7) Former Land, Infrastructure and Transport Minister Nakayama makes another gaffe: "A Democratic Party of Japan administration will bankrupt just like Osaka did"

YOMIURI (Page 4) (Full)
September 30, 2008

Liberal Democratic Party Lower House member Nariaki Nakayama, who resigned from his post of land, infrastructure and transport minister to take responsibility for a series of gaffes, has continued to blast Nikkyoso, the national teachers' union, which his pet peeve. Appearing on a TBS television program, Nakayama said: "My next election is really in danger, but even if it means staking my political life on it, I have a responsibility to make my appeal to

the people."

Nakayama's verbal offenses also have targeted the Democratic Party of Japan (DPJ). He has made such remarks as: "If a DPJ administration were launched, all of Japan would become like Osaka municipality. It is on the verge of bankruptcy being in bed with the labor unions."

In response to remarks like this from Nakayama, voices of alarm are coming out of the Machimura faction about the negative effect they will have on the upcoming Lower House election. As a result, former Prime Minister Mori, former Chief Cabinet Secretary Nobutaka Machimura, and LDP Secretary General Hosoda stayed behind in the Diet hall after Prime Minister Aso made his policy speech in order to discuss a response. They decide to ask Nakayama to constrain his remarks.

Nakayama was scheduled to appear on a TV-Asahi program Sept. 30, but he cancelled his appearance on the 29th. The explanation given by Nakayama's office was that he had gone to a friend's funeral.

8) Major central banks to pump 620 billion dollars (65 trillion yen) into money markets to contain global financial crisis

NIKKEI (Top Play) (Excerpts)
September 30, 2008

Monetary authorities of Japan, the U.S. and Europe have begun to redouble their efforts to help ease a global credit crunch. With the U.S. financial crisis spreading to Europe and elsewhere, banks now find it more difficult to procure dollars. In response, the central banks of 10 key countries announced on Sept. 29 that they will significantly expand dollar supplies. In the U.S., the leading bank Citigroup Inc. announced a plan to buy troubled Wachovia banking operations with the support of the U.S. government. The U.S. government agreed with Congress to enact a bill to stabilize the

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paralyzed global financial system, but the U.S. and European stock markets continued to drop on Sept. 29. With risks remaining, monetary authorities of each country have been on the alert.

The 10 key central banks of Japan, the U.S., and Europe outlined plans to supply more dollars into their home monetary markets. The total amount of dollars that each central bank will procure from the Federal Reserve Board (FRB) and inject into their home markets will increase from the current 290 billion dollars to 620 billion dollars (approximately 65.1 trillion yen). Their coordinated operation was initially to end at the end of January but will be extended to April. The Bank of Japan has also decided to double the amount supplied to the domestic market to 120 billion dollars.

On the European monetary markets on the 29th, the 3-month U.S. dollar LIBOR inter-bank rate rose 0.12 PERCENT over the previous week to 3.88 PERCENT on growing fears about a funding squeeze among European financial institutions. The 3-month Euro LIBOR rate also jumped 0.08 PERCENT to 5.22 PERCENT, marking the highest ever record since it was introduced. With a financial crisis triggered by the upheaval on Wall Street spreading to Europe, concerns about their business operations are growing among financial institutions in Europe as European governments have decided to nationalize commercial banks. Under this situation, private-sector financial institutions face difficulties procuring dollars. To ease a credit crunch, the central banks of major countries will strengthen their cooperative setup to stabilize the global financial system.

The 10 central banks include the BOJ, the FRB, the European Central Bank, the Bank of England, and Sweden's central bank. These 10 banks issued a joint statement on the 29th reading: "We will continue to take joint steps and take appropriate measures if necessary." Japan, the U.S. and other major countries had reached currency swap agreements with the FRB during a period between Sept. 18 and the 26th to provide a total of 290 billion dollars to their home markets.

9) Major central banks to supply extra funds in response to global

monetary crisis, which is becoming a reality; BOJ chief: "Dollar liquidity has become almost stagnant"

YOMIURI (Page 9) (Excerpts)
September 30, 2008

The central banks of 10 key nations, including Japan, the U.S., and European countries, decided on Sept. 29 to significantly expand arrangements to boost U.S. dollar liquidity, given that a global financial crisis is now taking on a touch of reality with a succession of failures of U.S. and European financial institutions. But many observers take the view that money supplies alone will have a limited impact on easing a global credit crunch. The major central banks' redoubled effort could be just like a drop in a bucket.

No reduction in interest rates

Bank of Japan Governor Masaaki Shirakawa expressed a sense of crisis in a press conference after an emergency monetary policymaking meeting called urgently at midnight on the 29th: "U.S. dollar liquidity has become almost stagnant." He meant that foreign financial institutions have been in a difficult situation with the flow of money held back in short-term markets.

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The central banks of six countries, including Japan, the U.S., and European countries, decided on a coordinated effort on Sept. 18 to help ease a funding squeeze. Based on currency swap accords that the U.S. Federal Reserve Board (FRB) reached with key other countries' central banks, they secured up to 247 billion dollars in total to pump into global monetary markets.

The FRB also signed similar deals with the four central banks of Australia, Sweden, Denmark, and Norway, raising the amount of funds to 290 billion dollars.

The coordinated efforts, however, have produced no significant impact. The BOJ pumped 29.6 billion dollars into the short-term monetary market on Sept. 25, but there are no signs of a reduction in the interest rates of loans to foreign financial institutions.

The BOJ also released a total of 18.4 trillion yen for nine business days in a row, but the interest rates of loans to foreign institutions have been at about 0.7 PERCENT, about 0.3 PERCENT higher than those for Japanese banks.

10) Finance minister in speech refers to future of world economy as increasingly uncertain

MAINICHI (Page 2) (Abridged slightly)
September 30, 2008

Finance and Fiscal Services Minister Shoichi Nakagawa delivered a speech in the plenary sessions of the two houses of the Diet yesterday afternoon. The minister described the future of the world economy as increasingly uncertain due to effects by slowing down in growth of emerging economies, tumbling international financial markets, and soaring prices of resources and food. He also called for cooperation for the enactment of the fiscal 2008 supplementary budget, saying that he will make the Japanese economy firmer by alleviating the pain and anxiety of the general public.

He also indicated that the Japanese economy, being in a weak tone, is taking its toll on small businesses, which are finding it difficult to pass along rising costs to customers, and on employees who are suffering from no wage hikes. He said that the government will aim at reducing workers' concerns with an economic stimulus package including the government's continued step to assist the aged with their medical costs. The minister also vowed to take solid steps to improve cash flows for small businesses by, for instance, introducing a new guarantee system dealing with rising material costs.

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11) Government to extend sanctions on North Korea for six months, given no progress on abduction issue

MAINICHI (Page 5) (Excerpts)
September 30, 2008

The government decided yesterday to extend its own sanctions on North Korea, scheduled to expire on Oct. 13, for six months. The government will continue the sanctions because there has been no progress on the abduction issue despite the fact that an agreement

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was reached in bilateral working-level talks in August on a reinvestigation into the fate of Japanese abductees and on partially lifting Japan's sanctions.

The government still upholds its policy of partially lifting the sanctions in the event the North begins the reinvestigation. Tokyo will reconsider its decision if Pyongyang begins the reinvestigation before Oct. 13. The government imposed the sanctions in October 2006 chiefly banning port calls by North Korean vessels, including the ferry Man Gyong Bong-92. The sanctions have been extended every six months. It is going to be the fourth time for the government to extend them. The government plans to adopt its decision at a cabinet meeting in early October.

12) Foreign Ministry rebuts New York Times editorial critical of Aso

MAINICHI (Page 5) (Full)
September 30, 2008

On Sept. 25, the New York Times carried an editorial describing Prime Minister Taro Aso as a person who had soured relations with China and South Korea. Vice-Foreign Minister Mitoji Yabunaka, in a press conference yesterday, indicated that the Foreign Ministry has rebutted the editorial through the Consulate General in New York. Yabunaka said that the government has informed the newspaper once again that the prime minister's basic thinking is to strengthen relations with neighboring countries, such as China and South Korea, and to cooperate with them based on strengthening the Japan-U.S. alliance. In February 2006, the newspaper also carried an editorial critical of then Foreign Minister Taro Aso, saying that he had drawn strong protests from the peoples of Asia. In reaction, the Foreign Ministry also filed a rebuttal.

13) Poll by Jichiro: 67 PERCENT of non-regular local government employees earns less than 2 million yen annually; Government-initiated working poor?

TOKYO SHIMBUN (Page 3) (Excerpts)
September 30, 2008

The All Japan Prefectural and Municipal Workers' Union (Jichiro) yesterday released the result of a survey on the situation of local government employees. The survey found that non-regular employees, including temporary workers and part-timers, accounted for 27.8 PERCENT of the entire local government workers. Jichiro assumes that at least 67.1 PERCENT of the non-regular employees earn less than 2 million yen annually, making them essentially a part of the "working poor."

Jichiro questioned local municipalities about the number of non-regular employees they hired and their wages as of June 1. It received answers from 23 prefectural governments and 963 municipalities, which accounts for 53.1 PERCENT of the all. Of a total of 1,071,496 employees, 297,571 were non-regular workers. Jichiro presumes that the number of non-regular employees would exceed 500,000 if the number of non-regular employees of local governments that have not yet to answer the questions is added.

Regarding wages, 65.5 PERCENT of the non-regular employees were paid under daily-wage or hourly-wage systems. Of them, 71.8 PERCENT got less than 1,000 yen per hour, which would total 2 million yen

annually; and 58.3 PERCENT of the remaining earned less than 160,000 yen per month. Jichiro says that at least 67.1 PERCENT of all employees earn less than 2 million yen.

14) Foreign tourists drop in August

TOKYO SHIMBUN (Page 3) (Full)
September 30, 2008

It was learned yesterday by a survey conducted by the Japan National Tourist Organization that the number of foreign travelers to Japan in August totaled 742,100, a 2.0 PERCENT drop from the number in August of the previous year, and that the decrease was the first time in two years and six months since February 2006.

The main reason for the drop was an increase in fuel surcharges due to the soaring oil prices. The number of foreign tourists in August this year was 15,400 less than last year's.

By country and region, South Korean tourists dropped by 23,000 or 8.6 PERCENT due to the lower won and the slow economy. Chinese tourists also decreased by 6,300 or 6.3 PERCENT .

SCHIEFFER